WEBINAR EIC ACCELERATOR EQUITY AND DUE DILIGENCE PROCESS

AVP V – TECHTRANSFER FUND

THE VC INVESTMENT PROCESS

Lisbon, 25 June 2020
ARMILAR AND AVP V – TECHTRANSFER FUND
Armilar Venture Partners in brief – the largest and most experienced VC in Portugal

- 20 years of experience
- Fully independent
- +€260 million currently under management across 6 funds
- Deep-tech: ICT core, HT, CT
- Multi-geographic: Portugal, Europe, US
- Multi-stage: Seed, Early Stage
- +60 investments to date
- 18 exits: 3 IPO
- 1 unicorn: 3 dragons
"Fund I" – €74 million invested and profitably returned

"Fund II" – €103 million Global, Early-stage investments

"Fund III" – €90 million Global, Early-stage investments

"Fund IV" – €10 million Portugal, Early-stage investments

"Fund V" – €3 million Portugal, TechTransfer investments

€51m (€60m cap) Europe, TechTransfer investments to date

€10m Portugal, 5G Partnership NOS

20 years experience in Venture Capital
Over €260M currently under management

Over €260M currently under management

Defining Deep Tech – the "next big thing"

Following the past decade of digital innovation, deep technologies – which will be at the center of the next wave of industrial and information revolution – are the ‘next big thing’

Global private investment in Deep Tech has soared


1. Chart includes investment in seven deep tech categories, as a representative picture of the broader tech landscape, according to the authors: advanced materials, artificial intelligence, biotechnology, blockchain, drones and robotics, photonics and electronics, and quantum computing. Private-investment sums are based on transactions with disclosed amounts. Some 41% of private investments in deep tech companies remain undisclosed.
...and Deep Tech is a key avenue of development for Europe
University ecosystems are an important source of Seed deal flow

Armilar Deal flow – Europe (ex.PT) 2015/19

- Seed 62%
- 42% originating from University ecosystems
- 23%
- 16%
- 10%
- 7%
- 5%
- 8%
- 11%
- 20%
- Others

Armilar Deal flow – Portugal 2015/19

- Seed 87%
- 56% originating from University ecosystems
- 25%
- 20%
- 14%
- 29%
- 5%
- 7%
- 29%
- 5%
- Others

Source: Armilar deal flow database; “Seed” includes opportunities on the stages of Proof-of-Concept, Pre-Seed and Seed/Start-up

Lisbon 25 June 2020

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This transformation and experience have led us to set up the new
AVP V – TechTransfer Fund

Access a leading emerging and largely untapped European community of technology entrepreneurship

through a well resourced deep-tech seed Venture fund investing in technology-based businesses often stemming from top academic institutions,

backed by world-class investors, entrepreneurs and technology institutions,

and managed by an experienced international VC fund manager, the reference in Portugal
More than €51m committed to the Fund

Public Sector Financing

Corporates

Academic Institutions

Family Offices

Private Individuals

Fund managers

First Closing
- Minimum: €30m
- Completed: February 2019
- Committed: €46m

Final Closing
- Completed: February 2020
- Total committed: €51m

OVERSUBSCRIBED
The Fund has a European scope with a strong focus in Portugal.

At least 70% of the Fund’s invested amounts shall be in portfolio companies based or essentially active in Portugal.

Up to 30% of the Fund’s invested amounts shall be in other EU countries.
Invest in businesses, not science

The Fund’s investments shall directly lead to the commercialization of research output

The Fund will invest in a range of sectors within Information Technology, HealthTech, CleanTech

- Up to 10% may be used to finance Proof-of-Concept projects
- Businesses licensing IP
- Spin-outs from institutions
- Companies in acceleration/incubation programs
- Startups created by former researchers
- …
- Customary prohibited sectors
The capacity to do follow-ons on the best Seeded investments is a key feature of the fund.

Seed Investment

- ¼ invested in 20+ seed-stage companies (~€500k tickets)

Follow-on – best seed investments

Remainder invested in a subset of the seed-stage companies (up to a few €m per company)

1. Dependent on final fund size

Full scope of the Fund
The fund is deploying its capital with a rich diversity

- **appentra** | Parallel computing
- **automaise** | AI-based automation
- **tonicapp** | Medical information
- **codavel** | Wireless communications
- **UAWLT** | Cybersecurity; cloud storage
- **CODACY** | Automated code review
- **Walli** | Blockchain; ID management
- **dashdash** | No-code app building

800+ deals sourced, 40+ deals analysed in depth
More than EUR 4,5 million invested
Clear business investment criteria

- **Make use of a unique technology, preferably developed at a Partner Institution, the best in its field**
  - IP must be fully and clearly assigned to the project
  - Objective is commercialization of the developed technology

- **Offer a valid business application, with a global addressable market of at least several billion euro**
  - Must be a disruptive solution to a significant market problem, with demonstrable signs of market interest
  - Sustained by a sound business plan – we can help build it, but fundamentals must come from team

- **Be at an early stage of development, but capable of fast growth**
  - Fundamental research concluded, demonstrable results vetted by the institution’s and external experts
  - Minimum viable product and market entry must be attainable with <€1m and within 12 months of financing

- **Have knowledgeable, honest and resilient managers, fully dedicated to the project**
  - High quality technical managers with an entrepreneurial vein, must include the key researchers
  - Clearly identified gaps (e.g. in management) to be filled for market entry

- **Offer a large multiple valuation potential, in the medium term**
  - Taking into account possible follow-on investments to occur within 5 years of first investment

- **Successful completion of market entry targets and continued evidence of business potential**
  - Market-ready product, successful first sales/implementations, continued evidence of uniqueness and market interest
  - Complete team, showing continued evidence of knowledge, honesty and resilience
  - Interest from external investors, preferably leading the follow-on round
INVESTMENT PROCESS
Investors prefer false negatives to false positives
Much of the VC economics is grounded on finding the few winning companies in the portfolio.

% of Financings in companies going out-of-business, acquired or IPO 2004-2013 (n=21,640 financings)

Source: Correlation Ventures analysis (2014)
An investment decision can be a lengthy and intense process.

- **Qualified Opportunity**
- **Opportunity under Analysis**
- **Opportunity under Negotiation**
- **Deal closed**

**Checkpoints:**
- Many hundreds
- < 5%
- < 1%
- << 1%

**Timeframes:**
- One day – a few weeks
- Anywhere between 2 and 6 months
- A few weeks
5 Key areas of analysis for an investment case

1. Addressable market / Opportunity
2. Innovative value proposition
3. Maturity, Potential and Risk
4. Team
5. Investment Attractiveness
<table>
<thead>
<tr>
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<th><strong>5 Key areas of analysis for an investment case</strong></th>
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<tbody>
<tr>
<td><strong>1</strong></td>
<td><strong>Addressable market / Opportunity</strong></td>
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<tr>
<td></td>
<td>• Specification of the market being addressed</td>
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<td>• Detailed analysis of the problem being addressed, state of the art</td>
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<td>• Market sizing analysis</td>
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<td><strong>2</strong></td>
<td><strong>Innovative value proposition</strong></td>
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<td>• Analysis of the company’s offering</td>
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<td>• Detailed technology deep dive</td>
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<td>• Detailed value proposition for addressed markets</td>
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<td>• Identification of competitors and competitive analysis</td>
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<td><strong>3</strong></td>
<td><strong>Maturity, Potential and Risk</strong></td>
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<td>• Maturity analysis: technology, product readiness, business model, product/market fit</td>
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<td>• Unit economics and scalability</td>
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<td>• Evaluation of business plan and assumptions</td>
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<td>• Projection of funding needs</td>
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<td>• Main risks, impact and mitigating actions</td>
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<td><strong>4</strong></td>
<td><strong>Team</strong></td>
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<td>• Evaluation of founders / management and founder/market fit</td>
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<td>• Organization</td>
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<td>• Completeness of team and identification of gaps</td>
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<td><strong>5</strong></td>
<td><strong>Investment Attractiveness</strong></td>
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<tr>
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<td>• Terms and details of funding round, use of proceeds</td>
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<td>• Valuation analysis</td>
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<td>• Exit perspectives</td>
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<td>• Syndicate, future dilutions</td>
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<td>• Expectable returns</td>
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A few very important tips

Do some homework before reaching out
• Target the right investor and the right person in the investor’s team – industry, stage of development, ticket size, etc.
• Learn about the portfolio
• If possible, be personally introduced
• Personalize your message

Understand the process, ask questions
• Stage in fund lifecycle, capacity, source of funds
• Process, team, timing

Be well prepared for some deep analysis
• Market identification, market sizing, assumptions
• Know your competition and be objective about it
• Self-awareness – it’s OK not to have all the answers; acknowledge gaps
• Keep your house in order

Make it a relationship, not a transaction
• Get to know the investor team, understand concerns
• Involve your team
• Be prepared to be rejected, but it may make sense to stay in touch... – understand if it’s "No" or "Not now"